A wide-angle photograph of the San Diego harbor and skyline. The water is a deep blue-green, filled with numerous sailboats of various sizes. In the background, the city skyline is visible under a clear blue sky, featuring several prominent skyscrapers and a large cruise ship docked on the right. The text "Guide to the Budget" is overlaid in white on the right side of the image.

Guide to the Budget

Volume I – Citizens’ Budget

City Manager’s Budget Message

A memo from the City Manager to the City Council introducing the Annual Fiscal Year 2004 Budget.

Executive Summary

The Executive Summary outlines important aspects and changes to the funds that comprise the City’s Total Combined Annual Budget.

- Personnel Resources
- General Fund Revenues
- Significant General Fund Changes from the Fiscal Year 2003 Budget
- Personnel-Related Obligations
- Non-Discretionary Expenses
- New Facilities
- Department Additions
- Department Reductions
- Restructuring/Reorganization
- Reductions in Other Jurisdictions
- Economic Forecast
- Key Economic Indicators
- State Budget
- City Reserves
- Principles of Budgeting and Finance

Service Level Impacts

Outlines the impact the Fiscal Year 2004 Budget will have on the level of services provided.

- General Fund Departments
- Non-General Fund Departments

City Funds

- Enterprise Fund Expenditures
- Capital Improvements Program
- Special Revenue Funds
- Debt Service Funds
- Tax Funds
- Business Improvement Districts Funds
- Maintenance Assessment Districts Funds

Guide to the Budget

Volume I

San Diego At a Glance

San Diego At a Glance is a review of the history of the San Diego area in addition to current issues, statistics and data about the City of San Diego.

- City Profile
- Basic Data
- State and Local Legislative Highlights
- San Diego in Brief

Guide to the Budget

The Guide to the Budget outlines:

- Volume I
- Restructuring
- The Allocation Process
- Budget Process Timeline

Annual Budget Financial Summary

This section contains financial schedules of general information about expenditures, revenues and positions, and provides the reader with a condensed version of the budget, including:

- Major General Fund Revenue
- Economic Indicators
- Budget Summary Schedules
- Debt Management

Performance Management Program

The Performance Management Program was revised this year to include Service Efforts and Accomplishments.

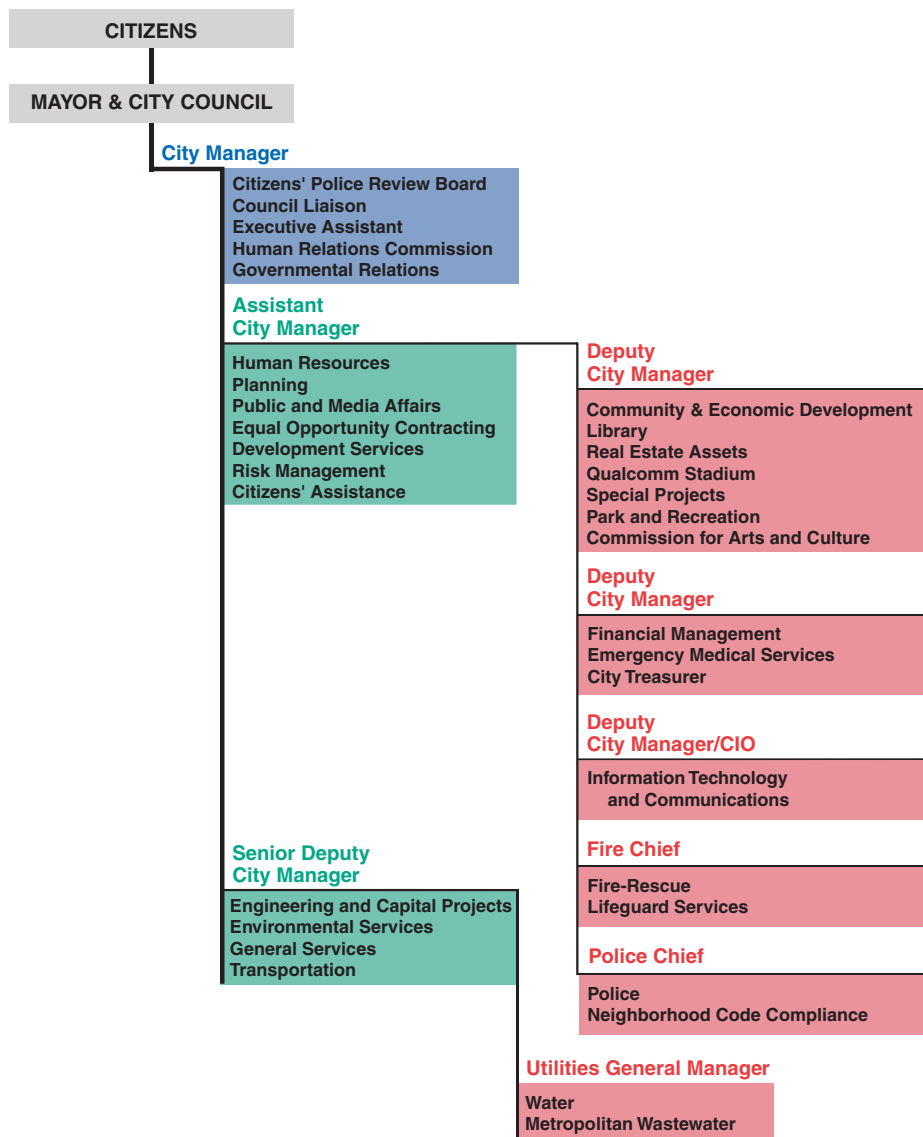
- Performance Indicators
- Benchmarking in the City of San Diego
- Citywide Surveys

City of San Diego Restructuring

In preparing the Fiscal Year 2004 budget, creative measures were taken to ensure that quality services would be provided despite budget constraints. Restructuring was implemented in several departments to save money in the General Fund and increase efficiency and streamlining of services. Departments that were restructured in Fiscal Year 2004 include: Information Technology and Communications, Park and Recreation, Engineering and Capital Projects, and Transportation.

Detail on departments that were restructured in Fiscal Year 2004 can be found in the executive summary.

Fiscal Year 2004 Organizational Structure



Guide to the Budget

The Allocation Process

Allocation Process

The City of San Diego is a chartered city operating under the Council-Manager form of government. The City Council is comprised of eight Councilmembers, elected by district, who serve overlapping four-year terms. The Council presiding Mayor, elected at large, serves a four-year term. The Mayor and City Council, which act as the City's legislative and policy-making body, appoint the City Manager. The City Manager is the City's chief administrator responsible for implementing policies and programs adopted by the Mayor and City Council.



The preparation of the City of San Diego's Annual Budget is the culmination of an annual budget process. Since the City's fiscal year begins July 1 and ends the June 30 the following year, the budget process for an upcoming fiscal year commences in the preceding fall. After gathering public input on services and programs during the winter months through community budget forums, the City Manager develops priorities for the proposed budget. During the first Council meeting in May, the City Manager presents a balanced proposed budget to the Mayor and City Council, as dictated by the City Charter. After public hearings and City Council deliberations, the Mayor and City Council adopt the final budget by June 30, the last day before the new fiscal year starts.

Throughout the Proposed Budget process, departments submit operating budget and Capital Improvements Program requests to the City Manager for review by the Financial Management Department. Upholding Citywide service level requirements, the City Manager evaluates submitted operating budget and Capital Improvements Program requests, determines resources available through a careful forecasting of revenues, and develops budget priorities for a balanced proposed budget.

The Mayor and City Council review the Proposed Budget during May and June. The first step of the budget review process invites citizens for public comment on allocating resources for the upcoming fiscal year. A schedule of the City Council hearings is available from the City Clerk's office in May. Citizens also are encouraged to contact the Mayor's office or respective Councilmember's office to provide input to budget priorities. For review, the Proposed Budget document is available at City public libraries and on the City of San Diego's Web Site (<http://www.sandiego.gov/budget/>).

In June, the Mayor and City Council hold public hearings before approving the Annual Budget. The Annual Budget must be approved through majority vote by the Mayor and City Council no later than June 30. The Mayor and City Council approve the Annual Appropriation Ordinance during the month of July, which adopts the Annual Budget and establishes legal authority for City officials to obligate and expend funds. The Final Budget document is then prepared and published. The Annual Budget document is available at City public libraries and on the City of San Diego's Web Site (<http://www.sandiego.gov/budget/>).

Amendments to the Budget

The Financial Management Department works in close cooperation with the office of the City Auditor and Comptroller to monitor fund balances throughout the fiscal year in order to avoid expenditures in excess of available funds. In case of a revenue shortfall, planned expenditures are reduced or deferred.

In addition, during the fiscal year, circumstances may arise that result in the need to adjust spending priorities. Procedures for amending the budget depends upon the type of amendment that is required. If the amendment does not affect the total appropriation for a department, then the department director has the authority to reallocate funds. However, changes within specific accounts require approval from the Financial Management Department, the City Manager, or the City Council. City Council approval for budget amendments is necessary if the amendment is to the adopted budget. The Annual Appropriation Ordinance also includes direction on the transfer of allocations during the fiscal year and the authority for such transfers.

Proposition 4 (Gann Limit) Appropriation

Pursuant to Article XIII B of the California Constitution (known as the Gann Limit), the City must compute an annual appropriations limit which places a ceiling on the total amount of tax revenues the City can appropriate annually. The limit is adjusted each year using the following factors: (1) the percentage change in California Per Capita Income or the change in the City's Assessed Valuation due to new non-residential construction, whichever is greater and (2) the percentage change in the citywide or countywide population, whichever is greater.

Accounting Policies and Basis of Budgeting

Significant Policies and Practices

The City's budgetary policies conform to Generally Accepted Accounting Principles (GAAP) applicable to governmental units. The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The City's Governmental Funds and Expendable Trust and Agency Funds use the modified accrual basis of accounting. Governmental Fund Types are those through which most governmental functions of the City are financed and include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds. Expendable Trust and Agency Funds are of the Fiduciary Fund type used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.



Under the modified accrual basis, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received, as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred, except for (1) principal of and interest

Guide to the Budget

The Allocation Process

on general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments for litigation and self-insurance which are recorded in the period due and payable.

Proprietary Funds, Pension Trust, and Non-expendable Trust Funds use the accrual basis of accounting. Proprietary Fund types include the City's Enterprise and Internal Service Funds. Under the accrual basis, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

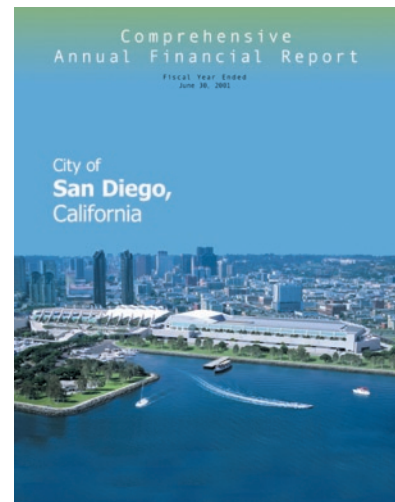
Encumbrances

The City budget is prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered additions/deductions of expenditures. Encumbrances outstanding for the City of San Diego at year-end are reported as reservations of fund balances since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

Budgetary Control

Budgetary control for the City's General Fund is exercised at the salaries and wages level, and non-personnel expense level. Budgetary control for other budgeted funds is maintained at the total fund appropriation level.

The City's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared in conformity with GAAP for governmental entities, which are audited by an independent certified public accounting firm. The annual financial report is generally available about six months after the June 30 close of each fiscal year. The City's most recent general purpose financial statements for Fiscal Year 2002 were audited by the accounting firm Caporicci & Larson, and are available for public review at the City Clerk's Office and on the City's Web Site (<http://www.sandiego.gov/city-auditor/cafr.shtml>)



Budget Process Timeline

The following schedule outlines the major dates and tasks involved in preparing the Annual Budget. The budget calendar overlaps fiscal years and the steps listed below cover one complete budget cycle.



September

The Financial Management Department develops the guidelines and schedule for the budget preparation process.

October through December

Financial Management distributes the City Manager's budget policy guidelines to departments instructing them on preparing their base budget.

Departments submit their base budget requests via the on-line Financial Management Information System (FMIS) for review by the Financial Management Department. The departmental base budgets reflect current levels of services that have been adjusted for allowable increases or decreases, i.e. salary adjustments, energy, utilities or existing contractual services. Base budgets may also reflect a reallocation of resources within departmental budgets based upon historical information.

Special Promotional Programs and Community Development Block Grant applications are made available and submitted by interested organizations.

December through March

The City Manager presents the initial budget status report to the Mayor and City Council and requests budget priorities and policy direction for the upcoming fiscal year.

The Mayor and City Council host Community Budget Forums to obtain citizen input on services and develop priorities for the City Manager's budget development.

Departments submit further budget requests based upon: (1) clear and refined objectives that reflect operations at the highest possible level of economy and efficiency, and (2) budget priorities provided by the Mayor and City Council. Several City Manager Executive Team Meetings are held to conduct high level budget policy issue discussions and make budget decisions based upon the Citywide priorities and projected resources. In general, those who attend each Executive Team Meeting include: the City Manager, Assistant City Manager, Senior Deputy City Manager, Deputy City Managers, Financial Management Director, and Budget Director.

In March, the City Manager recommends a program of projects to be funded by Community Development Block Grant funds. A public hearing is held to review the program. Recommendations for funding are presented to the City Council for consideration.

Guide to the Budget

Budget Process Timeline



April

The Proposed Budget is finalized and the Financial Management Department prepares the Proposed Budget document.

May

The City Manager submits the Proposed Budget to the Mayor and City Council at the first City Council meeting in May, per the City Charter, and files a copy with the City Clerk's Office.

The Mayor and City Council conduct budget meetings to review the Proposed Budget. Public comment is received at this time.

June

The budget meetings are conducted as City Council workshops, focusing on policy issues.

The Mayor and City Council adopt the Annual Budget no later than the last City Council meeting in June.

July

The Mayor and City Council adopt the Annual Appropriation Ordinance which requires two noticed public hearings, usually held on consecutive days. This gives City officials the legal authority by the Mayor and City Council to expend resources.

August

The Mayor and City Council adopt the Annual Tax Rate Ordinance no later than the last City Council meeting in August.

September

The Financial Management Department prepares the Annual Budget.

October

The Annual Budget is printed and distributed.

Guide to the Budget

Budget Process Timeline

